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*OCA Record*  
*SSC*

Washington, D.C. 20540

OCA 86-1165

The Honorable Frank H. Murkowski  
Select Committee on Intelligence  
United States Senate  
Washington, D.C. 20510

Dear Senator Murkowski:

In response to your recent request, I am enclosing a list of material we have published over the last three years addressing the potential impact of changes in the world oil market.

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Most should be available to you in the Committee.

The Agency believes that further oil price declines are likely. Although the decline in oil prices is clearly good news for the global economy, it also will create problems. In some countries financial problems could be severe, and may prompt political unrest or major policy shifts.

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Two other areas continue to concern CIA. First, Iranian and Libyan threats against Saudi Arabia as a result of Riyadh's oil marketing strategy raise the possibility of new violence in the region. Second, over the longer term, lower oil prices will slow exploration and development. They will also tend to dampen conservation and substitution, boost oil demand and hasten a return to tight market conditions. Under these circumstances, dependence on Persian Gulf oil supplies will increase, leaving the market more vulnerable to supply disruptions originating in that part of the world and renewed upward price pressures.

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If we can be of further assistance, please contact us.

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Sincerely,

David D. Gries

Director, Office of Congressional Affairs

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Enclosures

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